- Fred Pfrommer and Starr Thomas for The Atchison Topeka and Santa Fe Rallway Company and Santa Fe Transportation Company of applicants.
- <u>Clanz & Russell</u> for Transcontinental Bus System, Inc., and Continental Pacific Lines of applicants.
- Earl Bagby and Douglas Brookman for Pacific Greyhound Lines, protestant.
- George W. Ballard for the Brotherhood of Railroad Trainmen, interested party.
- J. G. Hunter, J. K. Gibson and C. W. Overhouse of the Commission's staff.

OPINION

This application, as amended, is by four common carriers of passengers — three by automotive equipment and one by rail —

(a) Santa Fo Transportation Company, hereinafter called Transportation Company; (b) Transcentinental Bus System, Inc., hereinafter called Transcentinental; (c) Continental Pacific Lines, hereinafter referred to as Continental, and (d) The Atchison, Topeka and Santa Fe Railway Company, hereinafter called Santa Fe Railway. The application involves the disposition of the passenger stage operative rights, other intangibles and certain physical properties of Transportation Company and Transcentinental, as more fully set forth hereinafter. In general it is proposed that Transportation Company would retain its fooder and local service operative right between

Hanford and Porterville and intermediate points. It would also continue its present rail-stage connecting service with Santa Fo Railway between Bakersfield and Los Angeles for rail passengers only. All other passenger stage operative rights would be transferred to Transcentinental. Transportation would also acquire certain interstate rights from Transcentinental. A public hearing in this proceeding was held before Commissioner Potter and Examiner Paul at San Francisco en November 12 and 13, 1953, and at Los Angeles en December 10, 1953. It was continued before Examiner Paul at Los Angeles and San Francisco en December 11 and 22, 1953, and the matter was submitted on the latter date.

THE APPLICANTS

Applicant Transportation Company is a California corporation and a wholly-owned subsidiary of Santa Fo Railway. Transcontinental is a Dolaware corporation, 23.1 per cent of its shares of capital stock being owned by Santa Fo Trail Transportation Company (not involved herein) a wholly-owned subsidiary of Santa Fo Railway. Continental is a California corporation and a wholly-owned subsidiary of Transcontinental. Santa Fo Railway is a corporation organized and existing under the laws of the state of Kansas whose interest in the above corporations is as indicated.

OPERATIONS OF THE FOUR CARRIERS

Transportation Company conducts service as a passenger stage corporation between San Francisco, San Diego and intermediate points subject to certain restrictions hereinafter noted, via Manteca,

⁽¹⁾ The following general restrictions apply as more specifically set out in the decisions hereinafter noted:

Passengers and baggage may not be transported locally (1) between San Francisco and Hayward and intermediate points; (2) between Los Angeles and San Fernando and intermediate points; (3) between Los Angeles and Long Beach, Newport Beach and Balboa and intermediate points; (4) between Los Angeles and Riverside and San Bernardino and intermediate points; (5) between points in one restricted territory and points within another restricted territory being specifically designated and described in Rostrictions Nos. 2, 3 and 4; (6) between applicant's Los Angeles terminal and certain described points as set forth in Decision No. 30790; (7) between applicant's San Diego terminal and La Jolla and intermediate points.

Bakersfield, Los Angeles and Long Boach and also via Tustin; between Stockton and Manteca; between Los Angeles and the California-Arizona State boundary east of Needles via San Bernardino and Barstow and also east of Blythe via San Bernardino and between Dol Mar and Dol Mar Race Track. It has a similar operative right between Porterville and Hanford. Service between the latter points is being conducted by Orango Bolt Stages under a contract approved by this Commission in February 1951. (Decision No. 45373). The foregoing described operative rights authorize the transportation of passengers and baggage and newspapers. Limited express rights exist between Los Angeles and the California-Arizona State Line via Needles. Between Bakersfield and Los Angeles Transportation Company provides passenger stage service connecting with the stream-lined trains known as the Golden Gates and with certain other trains of Santa Fe Railway.

The basic and original passenger stage operative rights of Transportation Company were created by Decision No. 30790, dated (2)
April 18, 1938, (41, CRC, 239). In that decision it was provided

⁽²⁾ The intrastate operative rights of Transportation Company proposed to be transferred were created by the following decisions of this Commission:

Docision Numbers	Application Numbers
28606 30790 31365 313671 32482 33120 34703 34703 35668 35668 35668 35668 35668 35668	19485 20170,1,2,3 22116 22269 22746 23411 24923 249078 24908 255048 255048 255048 26153 28153 28153
42120	28096

that Santa Fe Railway would establish stream-lined rail passenger service between Bakersfield and Oakland to be co-ordinated and integrated with the stage service of Transportation Company. Fares were to be computed at a rate of 12 conts per mile based upon the short-line mileage whether stage or rail or a combination of the two and with tickets interchangeable on both rail and stage facilities with unlimited stopover privileges.

According to the evidence of record service was commenced in accordance with Decision No. 30790 on July 1, 1938, at which time the intrastate passenger stage operations of Transportation Company were conducted jointly with Santa Fe Trail Transportation Company, another wholly-owned subsidiary of the Santa Fe Railway, which held interstate operative rights coextensive with the California rights of Transportation Company. On March 1, 1948, the California interstate operative rights of Santa Fe Trail Transportation Company were transferred to Transcontinental under authority of the Interstate Commerce Commission. Operations of Transportation Company and Transcontinental in California have been performed jointly pursuant to an agreement approved by this Commission (Decision No. 41629, May 25, 1948, Application No. 29280).

On March 31, 1942, the Commission authorized the temporary suspension of certain conditions of Decision No. 30790 insofar as they required the maintenance of parity of force and interchangeability of tickets at common forces between Transportation Company and Santa Fo Railway, (44, CRC, 107). On May 15, 1951, by Decision No. 45703 the Commission removed the requirement for the maintenance of the parity of forces by Transportation Company and Santa Fo Railway and the basing of forces upon short-line stage or rail mileage or a combination of the two.

The record shows that since 1942 the requirement for the

interchangeability of tickets has been complied with whereby passenger stage tickets of Transportation Company are honored on the passenger trains of Santa Fe Railway and the latter's tickets are honored by the former on its stages and the difference in fares, if any, are collected or refunded as the case may be.

Transcontinental operates an interstate passenger stage service in California in connection with its interstate operations as a part of National Trailways System. Its routes in California in general are coextensive with the routes of Transportation Company. Additionally it holds interstate operative rights between Pasadona, Fullerton, Anaheim and Long Beach which are operated for connections with transcontinental passenger trains of Santa Fe Railway.

American Bus Lines, Inc., which conducts intrastate passenger stage service between San Francisco, Sacramento, California-Novada State Line on U. S. Highway 40; between Stockton and Sacramento; between Stockton and Walnut Grove in addition to certain interstate operations. American Bus Lines, Inc., in turn controls through stock ownership Gibson Lines which conducts intrastate passenger stage service between Sacramento and Chico.

Continental operatos an interstate automotive passenger service between San Francisco, Stockton and Seattle serving all intermediate points. It also operates an intrastate passenger service pursuant to a certificate issued by this Commission (Decision No. 41489 dated April 20, 1948, as modified by Decision No. 43634 dated December 20, 1949). Service is authorized between San Francisco and the California-Oregon State boundary where it intersects U. S. Highway 99 and intermediate points, except that

no local service is authorized between San Francisco and Sacramento and intermediate points or between San Francisco and the junction of U.S. Highways 40 and 99W near Davis.

Santa Fe Railway operates the following main line of railroad over which it provides passenger train services: between Oakland, Hanford, Bakersfield, Mojave, Barstow and Needles to the California-Arizona State line east of Needles; between Barstow and Los Angeles over two routes, one via San Bernardino and Pasadena and the other via San Bernardino, Riverside and Fullerton, and between Fullerton and San Diego.

THE PROPOSALS AND CONSIDERATIONS

The consideration for the proposed transfer of operative rights and proporties is specified in the contract therefor which is attached to the application as Exhibit A. There is no value as such being placed on intangibles. The contract provides for a mere exchange of intangibles. Cortain tangible property consisting of office furniture, garage and office equipment and improvements to leasehold property being valued at a total depreciated book value of approximately \$63,000 would be transferred to Transcontinental in addition to leases or interests therein for terminal facilities at San Diego, Modesto, Stockton, Bakersfield and San Francisco.

An office at Los Angeles and gasoline quipment at Bakersfield having a depreciated book value of about \$35,000 would be transferred

⁽³⁾ Originally it was proposed that Transcontinental would acquire the so-called east-west lines of Transportation Company and Continental would acquire the so-called north-south lines between San Francisco and San Diogo via Bakersfield and Los Angeles. Shortly before submission of the matter the applicants amended the application whereby Continental withdrew as a transferee of any operative rights and Transcontinental was substituted for Continental as transferee of all operative rights proposed to be transferred.

to Transportation Company. The contract also provides for the joint use of certain facilities and provides the method for determining the value and consideration for any desired divisions.

Transcentinental will transfer to Transportation Company its interstate operative rights between Pasadena, Fullerton, Anaheim and Long Beach and between Hanford and Porterville. Transportation Company proposes to transfer to Transcontinental all its intrastato passenger stage operative rights between San Francisco and San Diego via Hanford, Bakersfield and Los Angelos; between Los Angeles and the California-Arizona boundary east of Needles via Riverside and San Bernardine and between Los Angeles and the California-Arizona boundary line east of Blythe via Riversido. Transportation Company proposos to rotain its passenger stage oporative right between Hanford and Porterville via Visalia. This line is now operated by Orango Bolt Stages under contract with Transportation Company which would be so continued. It also proposos to rotain or obtain a now cortificate authorizing it to continue its operations between Bakersfield and Los Angeles in order to provide a stage-rail connecting service with Santa Fe Railway at Bakersfield and at Los Angelos with no service at intermediate points.

The Commission is requested to issue new certificates to Transportation Company and Transcontinental effective concurrently upon execution of the proposed transfer of operative rights. The new certificates would replace and supersode all the passenger stage operative rights proposed to be transferred, and those to be retained by Transportation Company.

THE EVIDENCE

Oral and documentary evidence in support of the requests of applicants was adduced. The evidence shows and we find that

numerous economies and improvements of service could be effected under the proposals. In particular Santa Fe Railway's rail-stage passenger service could be more officiently performed and better co-ordination of through rail-stage service accomplished if the stage service directly connecting with its trains, and handling both interstate and intrastate traffic, is performed by its whollyowned subsidiary, Transportation Company. It was shown that separation of the rail-stage and the all stage services now jointly conducted by Transportation Company and Transcontinental in California would produce a more effective and economical operation as duplicate services could be eliminated. The guarantee of cost of operations plus 10 per cont paid by Santa Fe Railway for train connection service is now divided equally between Transcontinental and Transportation Company. Under the proposed plan of operation all of such guarantee plus 10 per cent would be paid to the latter, its wholly-owned subsidiary, and it would be for the sole benefit of Santa Fe Railway's rail-stage passenger service. According to the evidence there would be no change in the present fully co-ordinated rail-stage service between Transportation Company, Transcontinental and Santa Fo Railway if the authority sought is granted. Tickets will continue to be interchangeable on both rail and stage with unlimited stopover privileges. The present passenger stage schedules and fares are not to be altered in any respect under applicants; proposal.

PROTESTANT

Pacific Greyhound Lines, hereinafter referred to as protestant or Greyhound, is the only protestant. Prior to the hearing in this matter it filed a protest with the Commission stating that the application must be denied.

As gonoral reasons for that position Greyhound contonds

that:

- (a) The certificate created by Decision No. 30790, as amended, by its own terms is not transferable to a carrier which is not a wholly-owned subsidiary of Santa Fe Railway.
- (b) The proposal contemplates splitting an operative right in certain instances so that two operative rights would be created from a single authorization.
- (c) The applicants contemplate the issuance of operative authority to an independent carrier (Transcontinental) without proof of public convenience and necessity therefor.
- (d) The proposed transfer of operative rights created by said Decision No. 30790, as amended, is, under its own terms, in violation thereof and hence contrary to the public interest.

Groyhound argues at some length and in minute detail in support of these contentions. It will suffice to paraphrase generally its more specifically detailed points.

Protestant contends that the rights granted by said

Decision No. 30790 were granted to Santa Fo Railway's wholly-owned
subsidiary, Transportation Company, so that the Railway would be
able fully to control and maintain a completely co-ordinated and
auxiliary rail-bus transportation system with tickets interchangeably
good on rail coaches and buses with unlimited stepover privileges.

In this application we find that applicants have agreed between
themselves and are proposing to continue such co-ordinated and
auxiliary rail-bus service in connection with Santa Fo Railway's
passenger train operations as hereinabove set forth. It should be
pointed out that the Commission in discussing the original plan of
operation in re Decision No. 30790 stated that the applicants
therein, ". . . indicated the likelihood that they may come hereafter
to the Commission for its approval of such modifications in the

corporate plan of operation as may be indicated by subsequent experience to be desirable in the interest of greater simplicity and more efficient and economical service." (41, CRC,239, 243) We find that is precisely what applicants are doing here. The order of that decision contains no provision prohibiting the transfer of the operative rights created. Nor would such a provision be of any legal effect as respects the power of the Commission to alter or amend its decisions.

The Commission has refused many transfers, for reasons stated in each case, where the splitting of operative rights was involved. But transfers have also been authorized where division or so-called splitting of operative rights has resulted. In the proposition herein considered no greater rights will be created between Los Angelos and Bakersfield than now exist although two applicants will hold those rights as horoinafter set forth in the order horoof. However, one certificate will be limited to the transportation only of passengers having a prior or a subsequent rail haul as indicated, who reas the other certificate will prohibit such sorvice. The service that one may perform will be clearly distinguishable from that performed by the other. No new or additional operative authority will be created. The transferor and transferoo are presently conducting such service jointly under and pursuant to the agreement approved by this Commission on May 25, 1948, as noted above. Substantially, and in effect, the form of the authority for the operation is all that is sought to be changed by the proposed transfer. The evidence substantially indicates and we here find that public convenience and necessity require issuance of the authority sought between Bakersfield and Los Angeles.

We are not concerned with whother transfered is an independent carrier, as contended by Greyhound, as it sooks merely

a transfer of a presently existing operative authority including all of the restrictions, limitations and obligations which attach thereto. We find that such transfer is not adverse to the public interest, nor in violation of any provisions of said Decision No. 30790 as contended.

In the light of the foregoing we see no need for further discussion of other details of Groyhound's protest which are principally variations of its general objections noted above. Protestant called no witnesses nor introduced any direct evidence but did cross-examine witnesses of applicants at some length.

The record shows without question that Transcentinental is able, both financially and by experience, to conduct the operation as proposed. It is now, as above noted, conducting intrastate passenger stage operations jointly with Transportation Company in addition to its interstate operations. Its equipment and terminal facilities are fully ample to meet all public needs for service between the points involved. Its balance sheet statement of September 30, 1953, shows current assets in excess of \$4,200,000 and current liabilities of slightly more than \$1,580,000. Of its current assets more than \$1,230,000 is cash.

After full consideration of this matter and of all the evidence of record, both oral and documentary we find that the proposals of applicants as set forth in the application, as amended, are not adverse to the public interest.

We further find upon the evidence of record that public convenience and necessity require the establishment and operation of passenger stage service between Bakersfield and Los Angeles and intermediate points by Transcentinental Bus System, Inc., as more particularly set forth in the order following.

Wo further find upon the ovidence of record herein that

public convenience and necessity require the issuance of new certificates of public convenience and necessity to Santa Fe Transportation Company and to Transcontinental Bus System, Inc., as particularly set forth in Part Two and in Part Three of the order following which shall supersede the entire passenger stage operative rights involved in this proceeding as indicated above.

The action taken herein shall not be construed to be a finding of the value of the rights and properties herein authorized

Transcontinental Bus Systom, Inc., is hereby placed upon notice that operative rights, as such, do not constitute a class of property which may be capitalized or used as an element of value in rate-fixing for any amount of money in excess of that originally paid to the State as the consideration for the grant of such rights. Asido from their purely permissive aspect, they extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be changed or dostroyed at any time by the State, which is not in any respect limited to the number of rights which may be given.

ORDER

A public hearing having been held in the above-entitled matter as amended, the matter having been submitted, the Commission being fully advised therein, and based upon the conclusions and findings expressed in the foregoing opinion,

IT IS ORDERED as follows:

PART ONE

1. Santa Fo Transportation Company may, after the offective date hereof and on or before May 31, 1954, transfer to Transcontinental Bus System, Inc., and the latter may acquire from the

2. That in the place and stead of the operative rights which Santa Fe Transportation Company will rotain and which Transcontinental Bus System, Inc., will acquire, a new cortificate will be granted to each of thom as next hereinafter set forth in Part Two and Part Three respectively.

PART TWO

A certificate of public convonience and necessity is horeby granted to Santa Fo Transportation Company authorizing the establishment and operation of service as a passenger stage corporation, as that term is defined in Section 226 of the Public Utilities Code, for the transportation of passengers and their baggage and shipments of newspapers in passonger-carrying vohicles only:

- 1. Botween Los Angeles and Bakersfield and intermediate points subject to the restriction that Santa Fo Transportation Company shall transport between said points only those passengers and their baggage who have a prior or a subsequent movement beyond Los Angeles or Bakersfield, or both, via the lines of The Atchison, Topoka and Santa Fo Railway Company. No transportation shall be performed locally between Los Angeles and Bakersfield and intermediate points.
- 2. Between Hanford and Portorville and intermediate points subject to the restriction that no service shall be provided locally between Visalia and Plaza and intermediate points. The right granted in this paragraph is subject to the contractual arrangement between Santa Fo Transportation Company and T. S., R. S., B. W., M., and E. Haworth, doing business as Orange Bolt Stages, as authorized by the Commission's Decision No. 45373 dated February 20, 1951.

vehicles between Los Angeles and Blythe and intermediate points via routes described in subparagraph θ (b) and paragraph 10 of this Part Three.

The service authorized in this Part Three is subject to the restrictions that passengers and their baggage shall not be transported locally between the following points:

- (a) Botween San Francisco and Hayward and intermediate points;
- (b) Botwoon Los Angeles and San Fernando and intermediate points;
- (c) Botween Los Angeles, Long Beach, Nowport Beach and Balboa and intermediate points;
- (d) Between Los Angelos and San Burnardino and Intermediate points over any routes;
- (c) Between the San Diego Terminal of Transcontinental Bus System, Inc., and La Jolla and intermediate points.
- (f) Between points in one restricted territory as designated and described in Restrictions (b), (c) and (d) above, on the one hand, and points in another restricted territory as designated and described in said Restrictions (b), (c) and (d) above.

The term "locally" as used in connection with the above restrictions does not apply to the movement of passengers and their baggage from points inside a restricted area to points outside that restricted area or to the movement of passengers and their baggage from points outside a restricted area to points inside said restricted area.

5. No passengers or their baggage shall be transported between Los Angeles and Bakersfield and intermediate points who have a prior or subsequent movement beyond Los Angeles or Bakersfield, or both, via the lines of The Atchison, Topeka and Santa Fe Railway

7. The cortificate granted in this Part Three is a unified and consolidated operative right and operations thereunder shall be so conducted.

The service authorized in this Part Three is to be conducted over and along the following routes:

1. Botwoen San Francisco and Los Angeles:

From the depot of Transcontinental Bus System, Inc., at San Francisco via city streets to the San Francisco-Oakland Bay Bridge, then across the San Francisco-Oakland Bay Bridge, then via city streets through Oakland, then via U. S. Highway 50 to its junction with California State Highway 120, then via State Highway 120 to Manteca, then via U. S. Highway 99 to San Fernando, then via cither of the following routes:

- (a) Via U. S. Highway 99 to Los Angelos thon via city streets to the depot of Transcontinental Bus System, Inc., at Los Angelos, and return over the same route.
- (b) Via U. S. Highway 99 to its junction with Lankershim Boulevard thon via Lankershim Boulevard through North Hollywood, then via city streets in Los Angeles through Hollywood to the depot of Transcontinental Bus System, Inc., at Los Angeles, and

Torrey Pines Road, both via U. S. Highway 101 through Rose Canyon, and via La Jolla, and in the opposite direction.

6. Botween Los Angeles and junction U. S. Highway 101 and 101 Alternate (near Dohony Fark):

From the depot of Transcentinental Bus System, Inc., at Los Angeles via city streets to U. S. Highway 101 By-Pass; then via U. S. Highway 101 By-Pass to its junction with U. S. Highway 101; then via U. S. Highway 101 to its junction with U. S. Highway 101 Alternate and the Los Angeles-San Diego route above described, and return over the same route.

7. Botwoon Dol Mar and Dol Mar Raco Track and Fair Grounds:

From junction U. S. Highway 101 and Grand Avenue in Del Mar, then along Grand Avenue to the Santa Fo spur track, then along county road to the entrance of the race track and fair grounds; then along county road to San Diegueto Road; then along San Diegueto Road to junction U. S. Highway 101, and return over the same route.

8. Between Los Angelos and San Bernardino:

- (a) From the dopot of Transcontinental Bus System, Inc., at Los Angeles via city streets to Valley Boulevard, then via Valley Boulevard and Pomona Boulevard to Pomona, then via U. S. Highway 60 to Riverside, then via U. S. Highway 395 to San Bernardine, and return over the same route.
- (b) From the dopot of Transcontinental Bus System, Inc., at Los Angeles via city streets to U. S. Highways 60 and 70, then via U. S. Highways 60 and 70 to Ontario, then via U. S. Highway 60 to Riversido; then via U. S. Highway 395 to San Bernardino, and return over the same route.
- (c) From the depot of Transcontinental Bus System, Inc., at Los Angeles via city streets to U. S. Highway 66, then via U. S. Highway 66 and Arrow Highway to San Bernardine, and return

over the same route.

9. Between San Bernardine and the California-Arizona State
Line via Noodlos:

Via U. S. Highway 66, and return over the same route.

10. Between San Bernardine and the California-Arizona State
Line via Blythe:

Over city streets from the depot of Transcontinental Bus System, Inc., at San Bernardine and unnumbered highway to its junction with U. S. Highways 99 and 70, then via U. S. Highways 99 and 70 to Beaument; then via U. S. Highways 60, 70 and 99 to Indie; then via U. S. Highways 60 and 70 to the California-Arizona State Line, and return over the same route.

IT IS FURTHER ORDERED that in providing service pursuant to the authorities granted in Part One, Part Two, and Part Three of this order, Santa Fo Transportation Company and Transcontinental Bus System, Inc., shall comply with and observe the following service regulations:

- (a) Within thirty days after the effective date heroof, applicants shall file written acceptances of the cortificates herein granted.
- (b) Within sixty days after the effective date hereof, and upon not less than five days notice to the Commission and the public, applicants shall establish the services herein authorized and file in triplicate, and concurrently make effective, appropriate tariffs and timetables satisfactory to the Commission.

IT IS FURTHER ORDERED that the certificates granted in Part Two and Part Three of this order shall become effective upon the execution of the transfer of operative rights and properties as authorized in Part One hereof and concurrently therewith the operative rights as created or modified by the following decisions

shall stand rovoked and annulled:

Decision Numbers	Application Numbers
28606	19485
30790	20170, 1,2,3
31295	22116
31365	22263
31671	22269
32482	22746
33120	23411
34066	24023
34311	24078
34703	24502
35616	25105
35668	25105
35733	25109
35870	24853
41571	28855
42126	28096

The effective date of this order shall be twenty days after the date hereof.

Dated at Jacob Francisco, California, this

20 th day of March 1954

Desgai

COMMISSIONERS